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C O N F I D E N T I A L AMMAN 006587

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USDOC 4520/ITA/MAC/ONE/PTHANOS
DEPARTMENT FOR EB FOR WAYNE/MERMOUD

E.O. 12958: DECL: 08/04/2014

TAGS: [FAIR](#) [BEXP](#) [JO](#)

SUBJECT: WARNING SIGNS ON BOEING SALE TO RJ

REF: AMMAN 5100

Classified By: CHARGE D'AFFAIRES DAVID HALE FOR REASONS 1.5 (B) AND (D)

11. (C) SUMMARY: In a series of conversations with Jordanian stakeholders in Royal Jordanian Airlines' proposed purchase of five Boeing 737s, Charge and Emboffs have received mixed signals on how salvageable negotiations between Boeing and RJ may be. This may reflect a decision by Jordanian stakeholders either to indefinitely delay a Boeing purchase while continuing to "make nice" with American interlocutors or to radically change the makeup of Royal Jordanian Airlines (RJ). These issues may surface at a planned meeting between King Abdullah and Boeing Senior Vice President Thomas Pickering to be held in London on Friday. END SUMMARY.

12. (C) In separate conversations, Charge has been told by both Royal Court Chief Samir Al-Rifai and General Intelligence Directorate head General Sa'd Khair that while the King remained firmly committed to a purchase of five Boeing 737 aircraft, they will be purchased by Royal Wings rather than by RJ. Meanwhile, RJ would proceed with a lease - without an option to buy - of five Airbus A320s and A321s. (NOTE: Royal Wings is a wholly-owned subsidiary of RJ, flying short range regional and charter flights; it currently has only six commercial routes, the longest of which is to Ankara. RJ CEO Samer Majali's influence on Royal Wings, which has its own CEO, is in theory limited to his seat on the board of the Royal Jordanian parent company, chaired by Ministry of Transport Secretary-General Alaa Batayneh; in practice, the two lines cooperate closely.)

13. (C) Prince Faisal, Air Force Commander, the king's brother, and current patron of Jordanian aviation, told Charge on August 5 that he had convinced the king of the merits of this new twist in the proposed deal. He had been frustrated that Boeing had not come up with a viable financing/funding package, and did not want to further delay an RJ fleet upgrade. Meanwhile, a Royal Wings purchase of Boeing, if financing arrangements are satisfactory, would enable expansion of Royal Wings' regional charter services. He was convinced it was a commercially viable proposal. He said that RJ had been set to proceed with the Airbus lease at last week's board meeting, but had agreed to a delay pending the meeting between Abdullah and Pickering.

14. (C) When engaged obliquely by the SCO last week on the plan to switch the purchase to Royal Wings, however, RJ CEO Majali convincingly professed complete ignorance. (NOTE: In a conversation yesterday with Boeing representative Peter Ledger, Majali seemed better briefed on this proposal.) Majali acknowledged that negotiations with Boeing were going very badly, but held out hope that the gap between the two sides' positions might be overcome. Majali told SCO that he is looking to Boeing or someone else to "fill the gap" not covered by Ex-Im Bank financing, and that he would prefer that the gap be filled by a cash infusion rather than further financing. He would be disappointed if Boeing could offer no more than financing. Majali has not yet pressed the issue to a point of decision, repeatedly delaying the board meeting that was finally held last week and to which Faisal referred. He did, however, hold an unrelated RJ board meeting July 28 to decide on a \$40 million bond issuance that could fund either a Boeing purchase or an Airbus lease.

15. (C) COMMENT: The purchase of five 737s for Royal Wings would increase its capacity more than tenfold, which might be possible if a fairly dramatic rearrangement of RJ - giving Royal Wings mid-range capability competitive with RJ - is in the works or if Faisal's vision of new charter markets is grounded in reality. Majali's apparent ignorance of the plan suggests that it may in part be designed to sideline him (Reftel). On the other hand, it is difficult to understand how Jordan, which has had a very difficult time in finding financing for a Boeing purchase, would decide that the best course would be to simultaneously lease five more A320s and buy five Boeings. Airbus may have succeeded in making RJ an offer it can't refuse - but that nobody wants to hand an engaged American government an outright disappointment. Post will continue to work closely with Boeing and the department on a strategy to a Boeing deal.

HALE